

**Waterfront Development
Corporation Limited**

ANNUAL REPORT

1996

**Message from the Corporation
for
1995-1996**

Moving Forward After 20 Years of Achievement

The Corporation has been given a mandate by the Province of Nova Scotia to develop the downtown waterfront areas in Halifax and Dartmouth, to promote the harbourfront area, to act as stewards of the capital city harbourfront assets, and to coordinate overall planning.

As guardians of the harbourfront, the Corporation's Vision is:

**To be recognized as North America's leading agency for creating a vibrant,
living and working harbourfront.**

The Board of Directors have pro actively maintained a strategy that adheres to the following key values:

- Stewards of the waterfront
- Public accessibility
- Adherence to highest quality standards
- Preservations of historic elements
- Appropriate balance of commercial, residential, and public areas
- Respect for the environment
- Teamwork and cooperation among staff and volunteers
- Consultation and communications with stakeholders

We have been guided by our Mission to serve as guardians of Greater Halifax harbourfront - developing properties, coordinating, planning, promoting and acting as Provincial Agent to assist other Nova Scotian waterfronts.

Our principal business has continued to be the acquisition and development within the downtown boundary in Halifax and Dartmouth.

Highlights of past achievements that have transformed the Halifax and Dartmouth waterfronts include:

- Sheraton Hotel
- Nathan Green Square
- Streetscapes and underground services
- Cable Wharf Centre
- Maritime Museum of the Atlantic
- Four harbourfront restaurants (McKelvie's, Murphy's, Mother Tuckers, and Waterfront Storehouse)
- Event plazas
- Historic Queen's Wharves redeveloped
- Sackville Landing and Wharf
- Admiralty Place - residential
- Ferry Terminal park and plaza
- Parking areas
- Summit Place - office tower
- Land banking
- G-7 and waterfront property improvements
- Festivals and events including Tall Ships

Beginning in 1976 the Province made a major commitment in partnership with the Federal Government by provision of over \$30 million. Over 20 capital projects.

Our Core Business is Development of the Waterfront Properties

During 1995-96 important development projects were committed. The largest single development is 250 unit residential development on our South Battery lands. In addition to this \$30 million investment by the private sector, the project includes a public park area, improved and expanded walkway system and a new emergency heliport facility. These quality low rise residential rental units will significantly meet the growing demand for a downtown residential address.

The Corporation's industrial building at Salter and Lower Water Streets is currently under redevelopment by our lessee scheduled for completion late June 1996. The "Waterfront Storehouse" convention/food experience will provide an all year round facility targeted to serve the expanding tourism sector.

The third development on the Halifax side is Nova Scotian Crystal Limited. This will be Canada's first manufacturer of blown glass hand cut crystal. The company has engaged Irish craftsmen to train Canadians to produce high quality crystal products. The Corporation purchased the former Fisherman's Market Limited property and the adjacent lot at the Ferry Terminal immediately north of our Cable Wharf complex. This 140 year old building is currently being rehabilitated to house this unique manufacturing retail business.

Expanding the Promotional Activity

To complement our development mandate, the Corporation embarked on a series of promotional initiatives to attract tourists and residents to enjoy their harbourfront. Immediately following the intense period of the G-7 Summit in 1995 which focused the world on our unique living working harbourfront, our Corporation was asked by the Province of Nova Scotia to organize a Tall Ship visit to Halifax and then to Louisbourg, Lunenburg and Digby during July and August 1995.

Over the past two years, two successful seminars were organized and attended by developers of waterfront projects throughout Nova Scotia that concentrated on sharing information and concepts for developing, financing, marketing waterfront places.

Planning and Coordination

A strategic property study and evaluation was conducted by a team of consultants that helped answer a series of important questions related to the optimum mix of uses for our waterfront properties and adjacent sites to ensure the best balance recognizing market forces for residential, commercial, and public areas.

Beyond the downtown harbourfront areas in Halifax and Dartmouth, it has been recognized that surrounding both the harbour and the basin, there are over 60 potential development sites owned by others, including public lands and private land owners. WDCL in partnership with the Halifax Port Corporation organized a symposium titled "Harbour Vision 2005". The majority of the land owners along the harbourfront and surrounding Bedford basin as well as the harbour islands agreed to a shared vision that will provide the maximum benefits. Recommendations have been made to the Federal and Provincial Governments and the new Greater Halifax Municipality that will contribute to a successful achievement of "Harbour Vision 2005".

Highlights of Future Plans

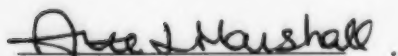
The Corporation has organized a series of activities on the occasion of our 20th Anniversary and is embarking on an aggressive beginning of a new five year plan that will include the following new major projects:

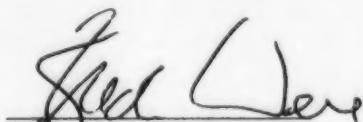
1. At Dartmouth Cove, a concept development proposal for a marine business park and common user dock and walkway.
2. A land acquisition and development from the Angus L. MacDonald bridge on the Dartmouth side south to the downtown waterfront events plaza.

3. Acquisition of major strategically located properties that are adjacent to our current developments.
4. New infrastructure in Halifax and Dartmouth for visiting ships including a breakwater.
5. Expansion of the harbour walkway connecting the South Battery development to Pier 21.
6. Promoting development potential in the Nova Scotia Power site on Lower Water Street, Halifax.
7. Preparation for the millennia Tall Ships 2000 (Sail Halifax, alternate name).
8. Promotional program and leadership on the Halifax and Dartmouth waterfront.
9. Providing advice to the HRM Dartmouth waterfront project and the Downtown Halifax Business Commission initiatives.
10. Management agreements with the Halifax Regional Municipality including programming, maintenance, and security, cooperation to expend the public walkways, and cooperating with the City on the Historic Properties.


In closing, over the past fiscal year the achievements highlighted above were accomplished while maintaining a positive financial result as detailed in this Annual Report. Over \$1.8 million in new capital construction during this year was internally financed.

We wish to thank the Board of Directors, the staff, and our other key stakeholders including the three levels of government, our private sector partners, and most important, the public who have increasingly rediscovered their harbourfront.


Annette Marshall, Chairman


Fred Were, President

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Doane Raymond 

**Waterfront Development
Corporation Limited**
Financial Statements
March 31, 1996

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Management Statement on Financial Reporting

To the Shareholders of
Waterfront Development Corporation Limited

Management has a responsibility for preparing the accompanying financial statements and ensuring that all information in the annual report is consistent with the statements.

Ultimate responsibility for the financial statements rests with the Board of Directors. An Audit Committee of non-management Directors is appointed by the Board to review the financial statements in detail with management and to report to the Directors prior to their approval of the financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The shareholders' auditors review the financial statements in detail and meet separately with both the Audit Committee and management to review their findings. Doane Raymond, Chartered Accountants report directly to the shareholders.

Fred Were
President and Chief Executive
Officer

Annette Marshall
Chair
Board of Directors

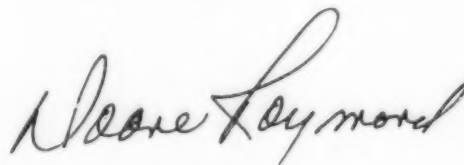
Auditors' Report

To the Shareholders of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 1996 and the statements of earnings and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1996, and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.



Halifax, Nova Scotia
May 16, 1996

Chartered Accountants

Waterfront Development Corporation Limited

Statements of Earnings and Deficit

Year Ended March 31

1996

1995

Revenue		
Rents	\$ 1,724,274	\$ 1,628,888
Recoveries	48,898	63,933
Interest income	22,615	21,419
Other income		5,000
	<u>1,795,787</u>	<u>1,719,240</u>
Property expenses		
Property taxes	112,571	118,220
Operating	309,683	297,356
Depreciation and amortization	<u>185,197</u>	<u>207,084</u>
	<u>607,451</u>	<u>622,660</u>
Income before other items	<u>1,188,336</u>	<u>1,096,580</u>
Corporate expenses		
Directors fees and expenses	41,758	14,137
Doubtful accounts	15,477	6,850
Office operations	39,720	35,634
Professional fees - audit and legal	17,231	23,368
- consultants	68,087	25,102
Public relations	68,073	19,931
Salaries and benefits	222,409	184,290
Tall Ships	<u>14,262</u>	
	<u>487,017</u>	<u>309,312</u>
Loan interest		
Expense	423,626	457,620
Contributions from the Province of Nova Scotia	<u>(351,235)</u>	<u>(360,800)</u>
	<u>72,391</u>	<u>96,820</u>
Depreciation on facilities for public access	<u>89,558</u>	<u>54,797</u>
	<u>648,966</u>	<u>460,929</u>
Net earnings	539,370	635,651
Transfer to General Development Fund (Note 7)	<u>525,000</u>	<u>630,000</u>
Transfer to Deficit	14,370	5,651
Deficit, beginning of year	<u>(2,540,151)</u>	<u>(2,545,802)</u>
Deficit, end of year	<u>\$ (2,525,781)</u>	<u>\$ (2,540,151)</u>

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited

Balance Sheet

March 31 1996 1995

Assets

Cash	\$	\$	337,135
Receivables - trade	49,249		20,786
- Province	42,018		
- Other	7,073		11,601
Prepays	121,130		6,500
Real estate and development projects (Note 3)	17,975,566		17,572,515
	\$ 18,195,036	\$	\$17,948,537

Liabilities

Bank indebtedness (Note 4)	\$	59,801	\$	
Payables and accruals		358,187		257,328
Deferred revenue				3,531
Loan payable (Note 5)		5,400,000		5,850,000
		5,817,988		6,110,859

Shareholders' Equity

Capital stock (Note 6)		3		3
General Development Fund (Note 7)		1,155,000		630,000
Contributed surplus		13,747,826		13,747,826
Deficit		(2,525,781)		(2,540,151)
		12,377,048		11,837,678
	\$ 18,195,036		\$	17,948,537

Commitments (Note 10)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited

Statement of Changes in Financial Position

Year Ended March 31

1996

1995

Cash derived from (applied to)

Operating		
Net earnings	\$ 539,370	\$ 635,651
Depreciation and amortization	<u>274,755</u>	<u>261,881</u>
	814,125	897,532
Change in non-cash operating working capital (Note 8)	<u>(87,783)</u>	<u>165,831</u>
	<u>726,342</u>	<u>1,063,363</u>
Financing		
Decrease in other receivable	4,528	4,520
Decrease in loan payable	(450,000)	(1,300,000)
Government assistance for capital expenditures	<u>850,000</u>	<u> </u>
	<u>404,528</u>	<u>(1,295,480)</u>
Investing		
Purchase of		
Equipment	(1,224)	(10,344)
Real estate and construction projects	<u>(1,526,582)</u>	<u>(44,161)</u>
	<u>(1,527,806)</u>	<u>(54,505)</u>
Net decrease in cash	(396,936)	(286,622)
Cash, net of bank indebtedness		
Beginning of year	<u>337,135</u>	<u>623,757</u>
End of year	\$ <u>(59,801)</u>	\$ <u>337,135</u>

See accompanying notes to the financial statements.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 1996

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of significant accounting policies

Capitalization

All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Government assistance

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project.

Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of The Income Tax Act.

Depreciation

Building and equipment

Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease

The cost of the lease referred to in Note 3 is amortized over its term.

Development costs

Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum. Net costs for projects constructed on lands not owned by the Corporation are written off against contributed surplus. The difference between any proceeds received on the disposal of a development project and its net book value is charged to or written off against contributed surplus.

3. Real estate and development projects	<u>1996</u>		<u>1995</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Real estate and development projects	\$ 22,164,817	\$ 4,189,251	\$ 17,975,566
			\$ 17,572,515

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 1996

4. Bank indebtedness

The bank indebtedness is a general operating line of credit to a maximum of \$1,000,000 bearing interest at prime.

5. Loan payable

Toronto Dominion Bank demand loan bearing interest at bank prime less one-half of one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

6. Capital stock

	<u>1996</u>	<u>1995</u>
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Authorized:

5,000 shares without nominal or par value

Issued:

3 shares	\$ <u>3</u>	\$ <u>3</u>
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The shares are held in trust by representatives of the Province for the Queen in Right of the Province of Nova Scotia.

7. General Development Fund

The Board of Directors has established a fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

8. Change in non-cash operating working capital	<u>1996</u>	<u>1995</u>
Receivables	\$ (70,481)	\$ 4,331
Prepays	(114,630)	(6,500)
Payables and accruals	100,859	166,984
Deferred revenue	(3,531)	1,016
	<u>\$ (87,783)</u>	<u>\$ 165,831</u>

9. Public Sector Unpaid Leave Act

The Corporation is in compliance with the Public Sector Compensation Restraint Act. The 3% reduction in salary cost from April 1, 1995 to March 31, 1996 was \$3,170.

Waterfront Development Corporation Limited

Notes to the Financial Statements

March 31, 1996

10. Commitments

The Corporation has entered into a lease agreement for the Queen's Wharf. Minimum lease payments over the next five years are as follows:

1997	\$ 6,500
1998	6,500
1999	6,500
2000	6,500
2001	6,500

11. Subsequent events

- i) The Corporation entered into an agreement to sell a property for an amount of \$80,000. The closing date for this agreement is June 1, 1996.
 - ii) The Corporation entered into an agreement with Fisherman's Market Limited to purchase property for \$687,500. The closing occurred on April 15, 1996.
 - iii) As part of lease renegotiations, the Corporation has committed to upgrade a property for an amount of \$253,000. Of this amount, \$150,000 will be treated as an interest bearing loan repayable to the Corporation over a ten year period.
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12. Comparative figures

Certain of the comparative amounts have been restated to conform to presentation adopted in the current year.